



U.S. Department
of Transportation

Pipeline and
Hazardous Materials Safety
Administration

8701 South Gessner, Suite 1110
Houston, TX 77074

NOTICE OF AMENDMENT

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

May 28, 2008

Wesley Scott
V. P. HESS
Occidental Oil and Gas Company
5 Greenway Plaza
Suite 110
Houston, TX 77076

CPF No. 4-2008-5015M

Dear Mr. Scott

On August 6-10, 2008 representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA) pursuant to Chapter 601 of 49 United States Code inspected Occidental Oil and Gas Company procedures for Integrity Management in Houston, Texas.

On the basis of the inspection, PHMSA has identified the apparent inadequacies found within Occidental Oil and Gas Company (OOGC) plans or procedures, as described below:

1. §195.452 Pipeline integrity management in high consequence areas.

(b) What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:

(2) Include in the program an identification of each pipeline or pipeline segment in the first column of the following table not later than the date in the second column:

Pipeline	Date
Category 1	December 31, 2001
Category 2	November 18, 2002.
Category 3	Date the pipeline begins operation.

OOGC's must incorporate the Tidelands and Sespe pipeline systems acquired in early 2006 into the IMP. Both pipeline systems were following the California State Fire Marshall hydrostatic testing plans, but were not completely incorporated into the OOCG IMP.

2. **§195.452 Pipeline integrity management in high consequence areas.**
(f) An operator must include, at minimum, each of the following elements in its written integrity management program:
(8) A process for review of integrity assessment results and information analysis by a person qualified to evaluate the results and information (see paragraph (h)(2) of this section).

OOGC must modify their procedure to provide detail for how analysts who review integrity assessment results and individuals performing information analysis will achieve and maintain qualification, training and skills improvement. Current industry standards may be used to meet this requirement.

3. **§195.452 Pipeline integrity management in high consequence areas.**
(f) See above
(4) Criteria for remedial actions to address integrity issues raised by the assessment methods and information analysis (see paragraph (h) of this section);

(h) *What actions must an operator take to address integrity issues?*

- (2) Discovery of condition. Discovery of a condition occurs when an operator has adequate information about the condition to determine that the condition presents a potential threat to the integrity of the pipeline. An operator must promptly, but no later than 180 days after an integrity assessment, obtain sufficient information about a condition to make that determination, unless the operator can demonstrate that the 180-day period is impracticable.
(4) Special requirements for scheduling remediation (i) Immediate repair conditions ... (ii) 60-day conditions ... (iii) 180-day conditions
(iv) Other conditions....

OOGC must further refine its definition of date of discovery and establish when adequate information about condition of a pipeline segment has been received to determine if it presents a potential threat to the integrity of the pipeline. OOGC must also ensure that when immediate repair conditions are discovered a pressure reduction is taken and the conditions are promptly addressed.

4. **§195.452 Pipeline integrity management in high consequence areas.**
(e) What are the risk factors for establishing an assessment schedule (for both the baseline and continual integrity assessments)?

(f) See above

- (3) An analysis that integrates all available information about the integrity of the entire pipeline and the consequences of a failure (see paragraph (g) of this section);

(g) *What is an information analysis?* In periodically evaluating the integrity of each pipeline segment (paragraph (j) of this section), an operator must analyze all available information about the integrity of the entire pipeline and the consequences of a failure. This information includes:

- (1) Information critical to determining the potential for, and preventing, damage due to excavation, including current and planned damage prevention activities, and development or planned development along the pipeline segment;
- (2) Data gathered through the integrity assessment required under this section;
- (3) Data gathered in conjunction with other inspections, tests, surveillance and patrols required by this Part, including, corrosion control monitoring and cathodic protection surveys; and (4) Information about how a failure would affect the high consequence area, such as location of the water intake.
- (4) Information about how a failure would affect the high consequence area, such as location of the water intake.

OOGC must revise their risk analysis process to include a requirement for the periodic updating of the risk analysis with the most current and accurate information. The process must include a periodic review and updating of the risk weighing factors to ensure that the risk weighing factors are accurately determined. Incomplete or inaccurate risk factors in the risk algorithm may result in the assignment of inappropriate weighted risk scores and distort risk rankings of pipeline segments.

5. §195.452 Pipeline integrity management in high consequence areas.

(f) See above

(7) Methods to measure the program's effectiveness (see paragraph (k) of this section);

(k) *What methods to measure program effectiveness must be used?* An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

OOGC must identify additional performance metrics to monitor the effectiveness of their IM program. The current methods and metrics used by OOGC to evaluate the performance of the IMP do not provide sufficient insight. Metrics used to track and evaluate performance of their IMP must be customized to reflect the specific characteristics of OOGC's pipeline system. This process must require annual evaluation of the metric to enable trends to be identified and changes made when appropriate.

6. §195.452 Pipeline integrity management in high consequence areas.

(b) What program and practices must operators use to manage pipeline integrity? Each operator of a pipeline covered by this section must:

(6) Follow recognized industry practices

(f) See above

(7) Methods to measure the program's effectiveness (see paragraph (k) of this section);

(k) What methods to measure program effectiveness must be used? An operator's program must include methods to measure whether the program is effective in assessing and evaluating the integrity of each pipeline segment and in protecting the high consequence areas. See Appendix C of this part for guidance on methods that can be used to evaluate a program's effectiveness.

OOGC's process for investigating incidents, referred to in Section 8 of their IMP manual, must be described in more detail. The near miss and root cause analysis process needs to ensure that pipeline integrity threats and consequences identified as a result of lessons learned and accident root cause analysis are integrated within the IMP.

Response to this Notice

This Notice is provided pursuant to 49 U.S.C. § 60108(a) and 49 C.F.R. § 190.237. Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

If, after opportunity for a hearing, your plans or procedures are found inadequate as alleged in this Notice, you may be ordered to amend your plans or procedures to correct the inadequacies (49 C.F.R. § 190.237). If you are not contesting this Notice, we propose that you submit your amended procedures to my office within 30 days of receipt of this Notice. This period may be extended by written request for good cause. Once the inadequacies identified herein have been addressed in your amended procedures, this enforcement action will be closed.

In your correspondence on this matter, please refer to **CPF 4-2008-5015M** and for each document you submit, please provide a copy in electronic format whenever possible.

Sincerely,



R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosure